

State investigating UCP real estate purchases

By ANEMONA HARTOCOLLIS

The state attorney general is conducting an inquiry to determine whether United Cerebral Palsy of New York City paid a fair price for the former Garber Bros. department store in Port Richmond, officials said yesterday.

A spokesman for Attorney General Robert Abrams said the inquiry sought to determine "whether the purchase price represented the true value of the building."

The spokesman, Nathan Riley, said the attorney general had found "no evidence of misappropriation of funds or other criminal conduct" by United Cerebral Palsy or by the two previous owners of the Garber building.

But Staten Island District Attorney Thomas Sullivan, said that civil charges, which involve a less stringent standard of proof, were being considered.

Riley said the question remained whether United Cerebral Palsy "lived up to its obligation to handle its money responsibly." United Cerebral Palsy is a charitable agency licensed by the

state to serve mentally and physically handicapped clients.

The inquiry began when Sullivan asked the attorney general to examine United Cerebral Palsy's real estate transactions, according to Riley. Sullivan said yesterday that his request was based on articles published two years ago in the Advance. "On their face," he said of the transactions, "they raised some questions."

The articles traced how a Port Richmond businessman sold the vacant department store and two occupied frame houses to United Cerebral Palsy for a sizeable profit. The prices ranged from 200 to 600 percent higher than the businessman, John Michelotti, a member of the Port Richmond Local Development Corp., had paid 13 months earlier. Between the time Michelotti bought the three buildings from the Garber family and the time more than a year later when he turned them over to United Cerebral Palsy, none of the properties was improved.

Norman Kimbal, a spokesman for United Cerebral Palsy in Manhattan, said yesterday that he was not aware of any inquiry

by the attorney general.

Sullivan said he was concerned about Michelotti's relationship to United Cerebral Palsy. He said he had asked whether the sale of the Garber building was "a total arms-length deal" between two unrelated parties and whether the price was appropriate.

He said the fact that the purchase prices of the three buildings increased several-fold in 13 months "certainly would give one pause... The time frame was rather close... I know Staten Island real estate increases in value, but that's pretty good."

Sullivan repeated that the attorney general's inquiry failed to find that money had been diverted for improper purposes by Garber, Michelotti or United Cerebral Palsy. He said the inquiry found "in the broad sense, unwise acts by fiduciaries," which were not grounds for criminal charges.

United Cerebral Palsy officials said the boarded-up department store would be renovated to house job-training programs for 200 physically and mentally handicapped clients. Officials said that all of the tenants would be forced to vacate the neighboring frame houses so the buildings could be used for storage or leveled and used as parking space.

But Kimbal said that the agency had not yet razed the houses or moved into the Garber

building. "Funding and building facilities is not an overnight experience. Ultimately, it's going to be realized," he said.

City tax records show that United Cerebral Palsy paid nearly 600 percent more for the Garber building than its purchase price had been 13 months earlier.

United Cerebral Palsy bought the Garber building for about \$450,000 on Sept. 5, 1979, according to records filed with the county clerk.

In July 1978, Michelotti bought the building from Paul Garber for about \$76,000, according to the county clerk. The following year, Michelotti resold the building to United Cerebral Palsy for \$450,000 — or \$374,000 more than he had paid. The city had assessed the value of the Garber building and surrounding land at \$80,000 for tax purposes.

During the same period, Michelotti bought two frame houses from Paul Garber and resold them to United Cerebral Palsy at a markup of more than 200 percent, according to the county clerk. The houses, at 1061 Post Ave. and 90 Albion Pl., are adjacent to the former department store.

In July 1978, Michelotti paid Garber about \$34,000 for the two houses as a package, according to the county clerk. Thirteen months later, Michelotti sold the

package to United Cerebral Palsy for about \$70,000, the records show.

Leo Houseman, the president of United Cerebral Palsy, did not return a telephone call yesterday. But in an interview two years ago, Houseman defended his agency's purchase of the Garber building, saying "It looked like a bargain to us."

"To build a structure like the Garber building from scratch would have cost \$60 to \$70 a square foot," Houseman said, "whereas the purchase factored out to \$15 per square foot."

Riley, the spokesman for the attorney general, said the inquiry was nearing completion, but he declined to be specific about the findings. "We did look into the circumstances surrounding the sale, with an effort to determine if the nonprofit organization acted responsibly," Riley said.

"United Cerebral Palsy is cooperating with us in the inquiry," Riley added. "One of our responsibilities is to safeguard the assets of a not-for-profit organization, and that is a matter on which the attorney general and UCP see eye to eye."